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November 12, 2009

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**VIA ELECTRONIC AND FIRST-CLASS MAIL**

Kim Collins, Esquire  
General Counsel's Office  
FEDERAL ELECTION COMMISSION  
999 E Street, NW  
Washington, D.C. 20463  
kcollins@fec.gov

Re: In the Matter of Edward St. John, *et al.*  
MUR: 6223

Dear Ms. Collins:

With respect to the above-referenced matter, I enclose for your review the Response to the Complaint by the St. John Respondents and Request that the Matter Under Review Be Dismissed, along with Exhibits: A; A1; A2; A3; A4; A5; and B.

If you have any questions, please do not hesitate to let me know.

Very truly yours,



Conor B. O'Croinin

Encls.

cc: Edward St. John  
Lawrence Maykrantz  
Robert Becker  
Jeffrey Gish  
Stanley Meros  
H. Richard Williamson  
Gerard Wit  
St. John Properties, Inc.

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**LAW OFFICES**  
**MURPHY & SHAFER LLC**

bcc: Lori H. Rice, CPA (*via electronic mail only*)  
Robert B. Ostrom, Esquire (*via electronic mail only*)

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of Edward St. John, *et al.*

MUR: 6223

**RESPONSE TO THE COMPLAINT BY THE ST. JOHN RESPONDENTS  
AND REQUEST THAT THE MATTER UNDER REVIEW BE DISMISSED**

Respondents Edward St. John, Lawrence Maykrantz, Robert Becker, Jeffrey Gish, Stanley Meraa, H. Richard Williamson, Gerard Wit, and St. John Properties, Inc. (the "St. John Respondents"), through their undersigned counsel, hereby submit the following response to the Complaint filed with the Federal Election Commission by Citizens for Responsibility and Ethics in Washington ("CREW"). The St. John Respondents request that the Commission take no action and dismiss the above-referenced matter under review.

**I. INTRODUCTION**

This matter was generated by a complaint filed with the Commission by CREW on October 20, 2009, in which CREW alleged that the St. John Respondents have violated the "anti-conduit" provisions of the Federal Election Campaign Act of 1971 ("FECA"), as amended by the Bipartisan Campaign Reform Act of 2002, which are found at 2 U.S.C. § 441f and its implementing regulations, 11 CFR § 110.4(b)(1)(i). Based on CREW's allegations that six of the individual St. John Respondents—Senior Vice President of St. John Properties, Inc. ("SJPI")—were reimbursed for their federal campaign contributions by SJPI, CREW also has alleged that the St. John Respondents violated the prohibition on corporations making contributions to

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federal election campaigns found at 2 U.S.C. § 441b(a), along with its implementing regulations.<sup>1</sup>

The allegations in the CREW Complaint focus on two sets of political contributions made in 2006 by the six Senior Vice Presidents of SJPI in support of the Senate campaign of Michael Steele. The first set of contributions was made to the Maryland Republican State Central Committee ("the Maryland Republican Committee"), in the amount of \$10,000 each. These funds apparently were used by the Committee to support the campaign of Michael Steele for the United States Senate. The second set of contributions referred to in CREW's Complaint allegedly were made by several of the Senior Vice Presidents of SJPI (Messrs. Maykrantz, Becker, and Wit) early in 2006 to Steele for Maryland, Inc., Mr. Steele's campaign finance entity.

CREW's allegations are based almost entirely on the results of an extensive investigation of Mr. St. John and SJPI conducted by the Office of the Maryland State Prosecutor between the summer of 2007 and spring of 2008. That investigation probed into many aspects of political campaign contributions made by Mr. St. John, SJPI, and his affiliated entities over the course of many years. The investigation culminated in Mr. St. John's agreement to a civil disposition in which he paid fines related to certain contributions made by the St. John Respondents to the 2006 campaigns of Martin O'Malley to become the Governor of Maryland, and Jim Smith to become the County Executive for Baltimore County, Maryland. At the conclusion of the investigation, Maryland State Prosecutor Robert A. Rohrbaugh determined that there was no

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<sup>1</sup> CREW mis-cites 11 CFR § 114.2(a) in Count II of its Complaint as (presumably) having application to Respondent SJPI. This provision, however, pertains to the prohibition against national banks and corporations organized under federal law making federal campaign contributions. St. John Properties, Inc. was organized under State law. In any event, 11 CFR § 114.2(b) would appear to be the relevant regulatory analog to 2 U.S.C. § 441b(a).

evidence of knowing and intentional misconduct, and so he charged Respondent Edward St. John in separate civil citations with eleven violations of the Election Law Article of the Maryland Code, § 13-602(a)(5). (This Maryland statute is similar in nature to the federal anti-conduit statute, and Mr. St. John's payment of a fine resulted from these civil violations.<sup>2</sup>)

The conduct giving rise to these civil citations occurred in the same manner and during the same time frame as the conduct now raised by CREW, and was undertaken without any intention on the part of the St. John Respondents (or anyone else) to violate Federal or State campaign finance laws. Indeed, at the conclusion of the State Prosecutor's investigation, Mr. Rohrbaugh's Office acknowledged expressly that "[s]ince there was insufficient evidence to establish that Mr. St. John knew that such actions violated Maryland law, civil citations were filed, instead of criminal charges." CREW Complaint, Exhibit A.

Accordingly, with respect to the first set of contributions made to the Maryland Republican Committee, there is no reason to believe that any of the St. John Respondents knowingly and willfully violated federal campaign finance laws. As was revealed during the thorough investigation by the Maryland State Prosecutor, the St. John Respondents simply did not appreciate what the campaign finance laws forbade. In addition, as discussed further below, the St. John Respondents took steps to correct any unintended violations of the campaign finance laws based on their 2006 contributions to the campaigns of Martin O'Malley, Jim Smith, and Michael Steele, by returning to SJPI the portions of their 2007 bonus payments that are alleged to have been predicated on their 2006 campaign contributions. This was accomplished in

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<sup>2</sup> The Maryland statute provides that "[a] person may not directly or indirectly pay or promise to pay a campaign finance entity in a name other than the person's name."

November, 2007 before Mr. Rohrbaugh's Office had raised any issues concerning the bonus payments.

There is also no reason to believe that the St. John Respondents violated the federal campaign finance laws with respect to the second set of contributions alleged by CREW. All of these contributions were in fact made by two limited liability companies in which the Senior Vice Presidents held ownership interests, and the contributions were allocated appropriately among the members of those entities. The SJPI Vice Presidents were never membered in any manner for these contributions.

As further demonstrated below, this matter should be dismissed by the Commission because there is no reason to believe that any of the respondents violated the Federal Election Campaign Act.

## **II. FACTUAL BACKGROUND**

### **A. St. John Properties, Inc.**

SJPI is a privately held real estate development company that is headquartered in Maryland. Ex. A (Affidavit of SJPI Comptroller Lori H. Rice, C.P.A.) at ¶ 2. Respondent Edward St. John is the President of SJPI and its principal owner. *Id.* Respondents Lawrence Maykrantz, Robert Becker, Jeffrey Gish, Stanley Maros, H. Richard Williamson, and Gerard Wit are the six Senior Vice Presidents of SJPI. *Id.* SJPI has developed a portfolio of more than 14 million square feet of office, research and development/flex, warehouse, retail, residential, and mixed-use buildings located throughout the mid-Atlantic region, and in other regions of the country. *Id.* at ¶ 3. In connection with the development and ownership of those real estate

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projects, SJPI and its principals and investment partners have formed hundreds of separate limited partnerships, limited liability partnerships, and limited liability companies. *Id.*

Mr. St. John and SJPI have a long history of contributing to local political and charitable causes. The Controller of SJPI, Lori H. Rice, C.P.A., monitors and records the political contributions made by Mr. St. John, as well as the contributions made by certain of the other senior executives of SJPI and the limited liability companies and other ownership entities that are affiliated with SJPI. *Id.* at ¶ 4.

**B. The December 30, 2005 Campaign Contributions.**

Prior to the November 2006 elections, the individual St. John Respondents made a number of campaign contributions to candidates for State and Federal office of both major political parties. On December 30, 2005, two limited liability companies affiliated with SJPI, Riverside Technology Park LLC and BWI Technology LLC made contributions of \$2,500 each to Steele for Maryland, Inc. Ex. A (Rice Affidavit) at ¶ 12. Ms. Rice provided information to the Steele Campaign identifying the eight individual members of each of those two LLCs to whom the contributions were to be allocated. *Id.* Those members included Mr. St. John, the six Senior Vice Presidents of SJPI, and one additional senior executive of SJPI who is not involved in these proceedings. *Id.*

Upon information and belief, Steele for Maryland, Inc. allocated the \$2,500 contributions among the eight members of the two LLCs, but first allocated \$2,100 of each \$2,500 contribution to the primary election, and the remaining \$400 of the \$2,500 contribution to the general

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election.<sup>3</sup> Accordingly, each of eight members of the two LLCs was allocated two primary election contributions in the amount of \$262.50 and two general election contributions in the amount of \$50. *See, e.g.*, CREW Complaint, Exhibit D and Ex. A (Rice Aff.) at ¶ 13.<sup>4</sup> None of the members of Riverside Technology Park LLC or BWI Technology LLC were reimbursed by SJPI in connection with the contributions made to the Steele Campaign on December 30, 2005. *Id.* at ¶ 14.

### C. The 2006 Campaign Contributions.

On May 11, 2006, the six Senior Vice Presidents each contributed between \$2,500 and \$3,500 to "Friends of Martin O'Malley," the campaign finance entity for Martin O'Malley, the Democratic gubernatorial nominee (and now the Governor of Maryland). Between October 13, 2006 and November 28, 2006, five of the six Senior Vice Presidents: Lawrence Maykrantz, Robert Becker, Jeffrey Gish, Stanley Meros, and H. Richard Williamson, contributed between \$1,000 and \$2,000 each to the "Friends of Jim Smith" campaign, the campaign finance entity for Jim Smith, the Democratic nominee for County Executive of Baltimore County. (Mr. Smith's campaign was also successful.)

Finally, in October, 2006, the six Senior Vice Presidents each contributed \$10,000 to the Maryland Republican Committee, funds that apparently were used by the Committee to support the campaign of Michael Steele for the United States Senate. *See* Ex. A (Rice Aff.) at ¶ 5.

All of these contributions were made by the Senior Vice Presidents of SJPI in response to Mr. St. John's efforts to recruit senior officers of his company to make political contributions to

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<sup>3</sup> The contribution limit for the 2005-2006 Federal Election Cycle was \$2,100 per election. *See* 2 U.S.C. § 441a(a)1A.

<sup>4</sup>  $\$262.50 \times 8 = \$2,100$ , and  $\$50 \times 8 = \$400$ ;  $\$2,100 + \$400 = \$2,500$ . This mathematical allocation was applied to both of the two \$2,500 contributions.



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the O'Malley and Smith campaigns, and to the Maryland Republican Committee in support of Michael Steele's campaign for U.S. Senate. Each of the contributions was made by the Senior Vice Presidents voluntarily, and by using his own personal funds. There is no evidence that Mr. St. John informed the Senior Vice Presidents that he or SJPI would provide the funds to be contributed in the names of the Senior Vice Presidents nor that he would reimburse them for their contributions.

**D. The 2007 Bonus Payments.**

In February, 2007, Mr. St. John determined that he would pay substantial bonuses to each of the Senior Vice Presidents based principally on SJPI's financial performance during the 2006 fiscal year. *Id.* at ¶ 7. Ms. Rice also was directed to include within the bonus calculations a factor predicated on the extent to which the six officers had responded to Mr. St. John's requests that they make political contributions to the O'Malley and Smith campaigns, and to the Maryland Republican Committee during the 2006 Steele campaign. *Id.* Based on her records detailing the contributions each of the officers had made to these campaigns, Ms. Rice calculated bonus amounts that included the Senior Vice Presidents' 2006 contributions, as well as a multiplier to that total based on the applicable federal and state income tax rates that would be applied to the bonus payments. *Id.* The total bonus payments for the six officers that year ranged from approximately \_\_\_\_\_; the portions of those bonuses predicated on the officers' political contributions ranged from approximately \$20,000 to \$25,000 (after taking into account the income tax "gross up" calculation.) *Id.* Ms. Rice retained detailed records relating to the contributions, and to the February 2007 bonus payments and how they were calculated. See Exhibit 1 to Ex. A (Rice Aff.).

**E. The 2007-2008 Investigation by the Office of the Maryland State Prosecutor.**

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In the summer of 2007 the Maryland State Prosecutor, Robert Rohrbaugh, began an investigation which resulted in the determination that Mr. St. John would pay a civil penalty in connection with the contributions to the O'Malley and Smith campaigns made during 2006 by the Senior Vice Presidents. The Maryland State Prosecutor is a permanent, yet specialized, executive branch office with the authority to conduct State-wide investigations of potential violations of certain public integrity laws, including the Maryland Election Law Article. Shortly after the State Prosecutor began his investigation, Mr. St. John and SJPI retained the undersigned, William J. Murphy and Murphy & Shaffer, LLC, as their counsel in connection with the matter. *Id.* at ¶ 9.

The State Prosecutor's investigation – in which he obtained copies of the paper records and the computer records of SJPI from all of its accounting personnel – was initially focused on certain Maryland State campaign contributions that had been made by partnerships and limited liability companies affiliated with SJPI. *Id.* at ¶ 8. The State Prosecutor ultimately concluded that those contributions were made in full compliance with Maryland law. *Id.* Ms. Rice also had recorded detailed information concerning the 2006 campaign contributions and the February 2007 bonus distributions in her files, and that information was supplied to the Maryland State Prosecutor's Office.

In the spring of 2008, the State Prosecutor informed counsel for SJPI that based on his investigation, it appeared that Mr. St. John and SJPI had reimbursed the contributions made by the six Senior Vice Presidents to the O'Malley and Smith campaigns, in violation of § 13-602(a)(5) of the Maryland Election Law Article, which provides that that "[a] person may not

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directly or indirectly pay or promise to pay a campaign finance entity in a name other than the person's name." The State Prosecutor further informed SJPI's counsel that as a result of his Office's nearly nine-month investigation, it had concluded that there was not sufficient evidence to prove a knowing and willfull intent on Mr. St. John's part which would justify the filing of criminal charges. See CREW Complaint, Exhibit A.

Mr. St. John agreed to a civil disposition of the alleged violations in June, 2008. Mr. St. John agreed to pay \$5,000 for eleven violations of § 13-602(a)(5), for a total fine of \$55,000. *Id.* In addition, Mr. St. John agreed to contribute an identical sum to the CollegeBound Fund, a non-profit organization established to assist underprivileged children in Baltimore City to attend college.<sup>5</sup> *Id.*

**F. The Corrective Action Taken By The St. John Respondents.**

On October 5, 2007, shortly after the State Prosecutor began his investigation, counsel for Mr. St. John and SJPI advised Mr. St. John that the bonus payments that had been made to the Senior Vice Presidents in February, 2007 "might be viewed by an aggressive regulator or prosecutor as an effort to evade the applicable campaign contribution limits, or as a violation of the 'anti-conduct' provisions of the Federal Election Campaign Act (FECA)." Ex. A (Rice Aff.) at ¶ 9. Counsel further recommended that SJPI request that the six Senior Vice Presidents return to the Company that portion of their 2007 annual bonus distributions that had been calculated based on their campaign contributions during calendar year 2006. *Id.* This advice was set out in a letter from Mr. Murphy to Mr. St. John, dated October 5, 2007. See Exhibit 2 to Ex. A (Rice Aff.).

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<sup>5</sup> Mr. St. John also agreed to take certain steps with respect to any future State contributions made by LLCs affiliated with SJPI.

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Consistent with Mr. Murphy's advice and recommendation, in November, 2007 each of the six Senior Vice Presidents reimbursed SJPI for the full amount of their February, 2007 bonuses that arguably had been predicated on their 2006 campaign contributions. These reimbursements included both the Maryland state campaign contributions and the six \$10,000 contributions that had been made to the Maryland Republican Committee in connection with the Steele campaign for the U.S. Senate. *Id.* at ¶ 10 (Copies of the cancelled checks that SJPI received from the six Senior Vice Presidents, all dated between November 7, 2007 and November 13, 2007, are attached as Exhibit 3 to Ex. A (Rice Aff.)). During the 2007 tax year, SJPI also made adjustments to the amounts that had been withheld for payroll taxes from the six Senior Vice Presidents in connection with their bonus checks, to take into account the officers' reimbursements of a portion of those bonus distributions. *Id.* at ¶ 10.

### III. ANALYSIS

#### A. The St. John Respondents Did Not Violate FECA.

FECA provides that "[n]o person shall make a contribution in the name of another person or knowingly permit his name to be used to effect such a contribution[.]" 2 U.S.C. § 441f. In addition, "[i]t is unlawful for . . . any corporation whatever . . . to make a contribution . . . in connection with any [federal] election." 2 U.S.C. § 441b(a). A person that knowingly participates in a scheme by which a corporation provides funds that are contributed to a federal campaign in the name of an individual may violate both of these statutes. See *In re John Karoly, Jr., et al.* MUR 5504 Conciliation Agreement (attached as Ex. B); and *United States v. Fieger*, 2008 WL 205244, \*1 (E.D. Mich. 2008).

Both *Karoly* and *Fieger* involved allegations that the presidents of law firm corporations solicited firm employees and their spouses (and other individuals in the case of *Fieger*, including the children of the firm's support staff), to make campaign contributions that were immediately reimbursed by the law firm corporations. Many of the alleged "conduit" donors in these cases were low-level law firm employees that were unlikely to have contributed large sums of money to political campaigns on their own behalf. And as noted, the conduit donors also included spouses of the employees of the reimbursing corporations, who, while not themselves employees, also received reimbursements from the corporations.

The transactions at issue in this case are in stark contrast to the nature of the alleged conduit schemes at issue in cases such as *Karoly* and *Fieger*. The six Senior Vice Presidents of SJPI are highly paid top-level executives with histories of prior political contributions. As a result, the Senior Vice Presidents were natural candidates for campaign fundraising efforts, and it is not surprising that Mr. St. John asked his senior executives to contribute to the political campaigns that he supported. But the Vice Presidents were not solicited by Mr. St. John to make contributions for which they would receive reimbursement by SJPI. Rather, between May and October 2006, Mr. St. John recruited his senior officers to contribute their own money to certain political campaigns. It was not until February, 2007 that Mr. St. John determined that SJPI should take into account the level of campaign contributions made by the six SJPI Senior Vice Presidents in 2006 when the company calculated their discretionary, annual bonuses for the prior year.

After being advised by counsel that the February 2007 bonus payments could be viewed as a violation of FECA on the part of the St. John Respondents, Mr. St. John and SJPI agreed to

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take remedial measures, and the six Senior Vice Presidents promptly returned the portion of their bonuses that had been predicated on their 2006 campaign contributions. As a result, the \$10,000 contributions made by the six Senior Vice Presidents to the Maryland Republican Committee were made with the Senior Vice Presidents' own personal funds, and were not funded by Mr. St. John or SJPI. No part of the February 2007 bonuses had been based on the two December 30, 2005 contributions of \$2,500 each to Steele for Maryland, Inc., which had been made by two limited liability companies affiliated with SJPI - Riverside Technology Park LLC and BWI Technology LLC. These contributions were made by the LLCs, and the contributions allocated for reporting purposes among the members of these entities.

Accordingly, there is no reason to believe that any of the St. John Respondents violated FECA.

**B. Alternatively, Any Violation of FECA By The St. John Respondents Was Inadvertent and Unintentional.**

But even if the Commission were to conclude that the 2007 bonus payments resulted in a violation of FECA, any such violation was plainly unintentional and does not merit further investigation by this Commission. The investigation performed and the conclusions reached by the Maryland State Prosecutor clearly show that the St. John Respondents did not knowingly and willfully violate either the Federal or State campaign finance laws as a result of the 2007 bonus payments. Ms. Rice, the Controller of SJPI, kept detailed records regarding both the St. John Respondents' contributions and her calculation of the 2007 bonus payments. The creation and maintenance of such detailed contribution and accounting records, and the fact that SJPI's Controller went to the trouble of performing a sophisticated "gross up" tax calculation to that portion of the Vice Presidents' bonuses, demonstrate that the St. John Respondents did not

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appreciate that the reimbursement of their 2006 contributions by SJPI could constitute FECA violations. Indeed, the evidence demonstrates that there was not even the slightest effort taken by the St. John Respondents to conceal the fact that the 2007 bonus payments initially had included a factor based on the Senior Vice Presidents' level of campaign contributions during 2006.

Furthermore, the State Prosecutor's thorough investigation led that Office to conclude that the 2007 bonus payments resulted in *unintentional* violations of Maryland's version of the federal "anti-conduit" provision, and CREW's allegations against the St. John Respondents are based almost exclusively on the findings of that investigation. Any, further investigation by this Commission would be unwarranted as it would result in precisely the same conclusion – that any violations of the campaign finance laws were inadvertent and unintentional. Such an exercise clearly does not merit further use of Commission resources, and imposition of any additional civil penalties based on mere negligent violations of the campaign finance laws would serve no useful purpose. The St. John Respondents already have taken timely steps to correct any unintentional violations of the law by having the Vice Presidents return the portions of their February 2007 bonuses that were predicated on their 2006 campaign contributions. In addition, the Respondents have since taken care to avoid running afoul of any provisions of the State or Federal campaign finance laws by conferring with outside counsel on a regular basis regarding these statutory limitations.

In sum, CREW's contention that the St. John Respondents violated FECA as a result of Respondent SJPI's reimbursement of the two \$2,500 contributions to Steele for Victory, Inc. is factually inaccurate. These contributions were made by two limited liability companies, and

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allocated among the members of the entities in an appropriate fashion; no member was reimbursed by SJPI or any other person or entity. CREW's allegations that the St. John Respondents violated FECA because a portion of the Senior Vice Presidents' February 2007 bonus payments were attributable to their \$10,000 contributions to the Maryland Republican Committee are also flawed. The Senior Vice Presidents made these contributions with their own funds, without expectation of repayment. Moreover, when informed that the bonus payments might give rise to a contention that the St. John Respondents had inadvertently violated FECA, the six Senior Vice Presidents all returned the funds at issue to SJPI. The evidence gathered by the Maryland State Prosecutor's investigation clearly demonstrates that the actions of the St. John Respondents were not taken in a knowing and intentional effort to evade the applicable campaign contribution laws. Mr. St. John already has paid a substantial civil fine and made a significant charitable contribution as a result of inadvertent violations of the Maryland Election Law Article that were predicated on the 2007 bonus payments, and two years have passed since the St. John Respondents implemented appropriate corrective action.

#### IV. CONCLUSION

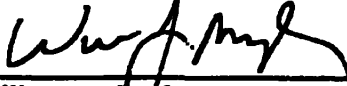
For all of the foregoing reasons, respondents Edward St. John, Lawrence Maykrantz, Robert Becker, Jeffrey Gish, Stanley Meros, H. Richard Williamson, Gerard Wit, and St. John Properties, Inc. request that the Commission exercise its discretion and dismiss this matter without taking any further action.



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Respectfully submitted,

MURPHY & SHAFFER, LLC

By:   
William J. Murphy  
Conor B. O'Croinin

36 South Charles Street  
Suite 1400  
Baltimore, Maryland 21201  
(410) 783-7000

*Attorneys for the St. John Respondents*



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**ADVANCE COPY BY FACSIMILE**

**JUN 29 2009**

William E. Lawler, Esq.  
Vinson & Elkins, LLP  
1455 Pennsylvania Avenue, NW, Suite 600  
Washington, D.C. 20004

RE: MUR 5504  
Jayann Brantley  
Heather Kovacs  
Christina Ligotti

Dear Mr. Lawler:

On June 18, 2009, the Federal Election Commission accepted the signed conciliation agreement submitted on your clients' behalf in settlement of the above-referenced matter. Accordingly, the file has been closed in this matter.

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 76,426 (Dec. 18, 2003). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact me at (202) 694-1650.

Sincerely,

*Delbert K. Rigby*

Delbert K. Rigby  
Attorney

**Enclosure  
Conciliation Agreement**

The information contained in this document is being provided in accordance with the confidentiality provisions set forth in Title 2, §437g(a)(12)(A) of the United States Code and may not be made public without the written consent of the Respondents.

**EXHIBIT B**

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**BEFORE THE FEDERAL ELECTION COMMISSION**

In the Matter of

John Karoly, Jr.  
Karoly Law Offices, P.C.  
Jayann Brantley  
Heather Kovacs  
Christina Ligotti

MUR 5504

*ford arc*  
JUN 09 2009  
12:38pm

**CONCILIATION AGREEMENT**

This matter was initiated by a signed, sworn and notarized complaint by Jonathan Weiss. An investigation was conducted, and the Federal Election Commission ("Commission") found probable cause to believe that John Karoly, Jr. and Karoly Law Offices, P.C. ("Respondents") knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f. The Commission also found probable cause to believe that Jayann Brantley, Heather Kovacs and Christina Ligotti violated 2 U.S.C. § 441f. John Karoly, Jr., Karoly Law Offices, P.C., Jayann Brantley, Heather Kovacs and Christina Ligotti are also hereinafter collectively referred to as Respondents.

NOW, THEREFORE, the Commission and the Respondents, having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

- I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding.
- II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.
- III. Respondents enter voluntarily into this agreement with the Commission.
- IV. The pertinent facts in this matter are as follows:
  1. John Karoly is an attorney residing in Allentown, Pennsylvania. He is President and Treasurer of Karoly Law Offices, P.C.

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**2. Karoly Law Offices, P.C. is a law firm located in Allentown, Pennsylvania. The law firm is incorporated in the State of Pennsylvania.**

**3. Jayann Brantley, a Pennsylvania resident, is employed as a secretary at Karoly Law Offices, P.C.**

**4. Heather Kovacs, a Pennsylvania resident, is employed as a secretary at Karoly Law Offices, P.C.**

**5. Christina Ligotti, a Pennsylvania resident, is a nurse who is a former employee of Karoly Law Offices, P.C.**

**6. Gephardt for President ("Gephardt Committee") is a political committee within the meaning of 2 U.S.C. § 431(4), and was the principal campaign committee for Congressman Richard Gephardt's 2004 primary race for the office of President of the United States.**

**7. The Federal Election Campaign Act of 1971, as amended ("the Act"), prohibits any person from making a contribution in the name of another and from knowingly permitting his or her name to be used to make such a contribution. 2 U.S.C. § 441f. Section 441f also applies to any person who knowingly helps or assists any person in making a contribution in the name of another. 11 C.F.R. § 110.4(b)(ii).**

**8. The Act also prohibits corporations from making contributions or expenditures from their general treasury funds in connection with any election of any candidate for federal office. 2 U.S.C. § 441b(a). In addition, section 441b(a) prohibits any officer or director of any corporation from consenting to any expenditure or contribution by the corporation.**

**9. At all relevant times, Gregorio Paglanite, Jayann Brantley, Christina Ligotti and Heather Kovacs were employees of Karoly Law Offices, P.C. On September 28, 2003, Heather Kovacs wrote a check for \$2,000 to the Gephardt Committee, Gregorio Paglanite wrote a check for \$4,000 to the**

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**Gephardt Committee on behalf of himself and his wife, Jayann Brantley wrote a check to the Gephardt Committee for \$4,000 on behalf of herself and her husband, and Christina Ligotti wrote a check to the Gephardt Committee for \$3,000 on behalf of herself and her husband.**

**10. On October 6, 2003, Christina Ligotti received a Karoly Law Offices, P.C. check in the amount of \$3,000 with the "pay to the order of" line blank. The memo line of the check stated "Hirko bonus." On October 7, 2003, Christina Ligotti's husband put his name on the pay to the order line and deposited the check into their joint checking account.**

**11. On October 7, 2003, Karoly Law Offices, P.C. cashed a \$12,000 check from one of its law firm accounts. On the same day, Gregorio Paglianita deposited \$4,000 in cash into his and his wife's joint checking account, and Jayann Brantley deposited \$4,000 in cash into her and her husband's joint checking account.**

**12. On October 27, 2003, Heather Kovacs deposited \$3,021.56 into her bank account, which included her biweekly paycheck from Karoly Law Offices, a cash deposit of \$1,700 and another deposit of \$65. The October 27, 2003 deposit was the only instance between March 2003 and February 2004 when Ms. Kovacs deposited an amount more than her regular salary and overtime.**

**13. The Commission has evidence it believes is sufficient to support its conclusion that there is probable cause to believe that the cash payments to Jayann Brantley, Heather Kovacs and Gregorio Paglianita, and the payment by check with "pay to the order of" line blank to Christina Ligotti, were reimbursements for their and their spouses' contributions to the Gephardt Committee, to which John Karoly, Jr. consented.**

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V. Solely for the purpose of settling this matter expeditiously and avoiding litigation, and without admission with respect to this or any other proceeding, Respondents will no longer contest the Commission's probable cause to believe findings in this matter. Respondents agree not to violate 2 U.S.C. §§ 4470(a) and 441f in the future.

VI. In order to settle this matter on behalf of all Respondents, Respondents John Karoly, Jr. and Karoly Law Offices, P.C. will pay a civil penalty to the Federal Election Commission in the amount of One Hundred and Fifty Five Thousand dollars (\$155,000), pursuant to 2 U.S.C. § 437g(a)(5)(B). The civil penalty will be paid as follows:

A. A payment of Fifty Five Thousand dollars (\$55,000) is due no more than thirty (30) days from the date this Agreement becomes effective;

B. Thereafter, five consecutive monthly installment payments of Twenty Thousand dollars (\$20,000) each.

C. Each such installment shall be paid within 30 days of the previous installment.

D. In the event that any installment payment is not received by the Commission by the fifth day after it becomes due, the Commission may, at its discretion, accelerate the remaining payments and cause the entire amount to become due upon ten days written notice to the Respondents. Failure by the Commission to accelerate the payments with regard to any overdue installment shall not be construed as a waiver of its right to do so with regard to further overdue installments.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

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VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondents shall have no more than thirty (30) days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission, except as otherwise expressly specified in Paragraph VI.

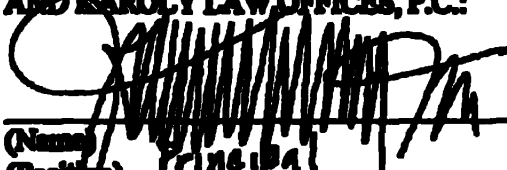
X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Thomasena P. Duncan  
General Counsel

BY:  Date 6/25/09  
Ann Marie Tetianen  
Associate General Counsel  
for Enforcement

FOR RESPONDENTS JOHN KAROLY, JR.  
AND KAROLY LAW OFFICES, P.C.:

 Date 5-15-09  
(Name) Principal  
(Position)

FOR RESPONDENTS JAYANN BRANTLEY,  
HEATHER KOVACS AND CHRISTINA LIGOTTI:

William E. Lawler, III Date 6-8-09  
(Name) William E. Lawler, III  
(Position) Counsel for Respondents  
Brantley, Kovacs and Ligotti

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